

# Sidewinder

**SECRET**

**RCMP-CSIS JOINT REVIEW COMMITTEE**

**DRAFT SUBMISSION**

**Joint RCMP-CSIS Study  
Information as of  
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(translated text)**

**Chinese Intelligence Services  
and Triads Financial links in Canada**

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## SUMMARY

Since the mid-1980's, a substantial immigration flow from Hong Kong has taken place and Canadian authorities were first alerted when a significant presence of Chinese organized crime elements among this group was detected. Many came through the "entrepreneur" and "investor" immigration program and some of these criminals even have succeeded to obtain their Canadian citizenship. Although not all immigrants in these categories are suspected, two particular groups of individuals raised attention. Two other groups have also taken advantage of the "entrepreneur" and "investor" categories to immigrate and to invest in Canada. First, a certain number of very rich Hong Kong Chinese business people (tycoons) who are known to have been cooperating with the Chinese Government for years. Then a group composed of associates and relatives of China's leadership and the Chinese Intelligence Services (ChIS). Intelligence reveals that certain individuals of these three groups have been working for over fifteen years in concert with the Chinese government, and some of the "financial ventures" in Canada serve to conceal criminal or intelligence activities. (S)

Hand in hand with this situation, the ChIS make very active use of their access to Canadian industries through exchanges of specialists and students, and also set up shell companies to pursue their acquisition of economic and technological intelligence. Cooperation between the Hong Kong tycoons, the triads and the Beijing leadership adds a new dimension to the well known "mass line collection" strategy followed by the ChIS. This situation substantially raises the level of the potential threat, revealing the effectiveness of Chinese efforts to obtain Canadian technology and their capability to interfere in the management of the country. Central points and essential for the understanding of the problem are the cultural singularities that characterize the Chinese as the concepts of "debt of honour", "duties", "*Haa Tai* or backers", and "*Guanxi* or connections". (S)

By using these alliances, the Chinese government is trying to gain influence on Canadian politics by maximizing their presence over some of the country's economic levers. To that end, they proceed initially to buy and/or legally set up a company in Canada that, once under their control, buys other companies and so on. An effective domino effect ensues that acts like a well-spun web or network at strategic points. It is estimated that over 200 Canadian companies have passed into Chinese influence or ownership since the early 1980's through the triads, tycoons or China national companies. These businesses are found in various sectors of the economy, ranging from multinationals to banking, high technology and real estate (CITIC, Norinco, Husky Oil, Grand Adex Properties Inc., Merrill Lynch, Gordon Capital Inc., Tai Foong International, CIBC, Ramada Hotels, China Vision and Semi-Tech Corporation, etc).

The triads' companies are also used to pursue their criminal activities, such as money-laundering and heroin trafficking, as well as assistance to the ChIS. (S)

"Be so subtle that you are invisible.  
Be so mysterious that you are intangible.  
Then you will control your rival's fate."

Sun Tzu     The Art of War (c 509 BC)

## INTRODUCTION

1. With the announcement of the return of Hong Kong to China in the mid-1980s, Canada witnessed the arrival of a substantial immigration and capital flow from the region. For example, between January 1990 and March 1997, 237,077 Hong Kong residents emigrated to Canada of whom nearly 70,000 were in the "entrepreneur" or "investor" category. This exceeded the "family" category over the same period. Although the great majority of these immigrants were legitimate, the Canadian authorities detected a significant presence of Chinese organized crime elements among them, namely the triads and their associates, some of whom succeeded in obtaining Canadian citizenship. [See appendixes I and II, tables on immigration from Hong Kong] (S)

2. Some wealthy Hong Kong Chinese investors and Chinese from Mainland closely affiliated or related with the country's leadership and the ChIS also took advantage of the "entrepreneur" and "investor" categories to emigrate to and invest in Canada. Few even bought or established companies on Canadian soil through a family member who had obtained Canadian citizenship. Intelligence indicates that these specific individuals with these three groups: triads, Hong Kong investors and people close to China's leadership, have been identified working with concern with the Chinese government to gain influence through some of their "financial ventures" in Canada. Some companies which are also used to conceal criminal or intelligence activities. At the same time, the ChIS use their access to Canadian businesses through exchanges and technical or student visas to steal classified and technological information. They have gone so far as to set up shell companies to pursue their economic and technological information acquisition operations. (S)

3. A new triumvirate was born. This cooperation between Hong Kong Chinese business people, the triads and the Beijing leadership adds a new dimension to the known mass line collecting strategy followed by the ChIS. Economic, political and security indicators based on factual data revealed the potential threat and efforts made by the Chinese to obtain Canadian technology, but above all to obtain influence over economic levers and prominent Canadian figures. (S)

## BEIJING'S STRATEGIC ALLIANCES, OR THE LESSONS OF SUN TZU

4. When Deng Xiaoping came to power in the late 1970's, he introduced his economic reforms with the slogan "to get rich is glorious". To achieve that end, he had to move China onto the international markets. The isolationism of the former regime, however, handicapped the Chinese leadership. It therefore turned to the richest

Chinese business people of Hong Kong, including, among many other, Li Ka-Shing, Henry Fok Ying-Tung, Wang Foon-Shing, Stanley Ho [See *Project Stopover, CIDRCMP*], and the man who would eventually be chosen by Beijing to head Hong Kong after the departure of the British, Tung Chee-Wa (C.H. Tung). On 23 May 1982, Li Ka-Shing and Henry Fok met with Deng Xiaoping and Zhao Ziyang in Beijing to discuss the future of the peninsula. Their task would be to advise and educate the Chinese authorities about the basic rules of capitalism. In return, Beijing gave them privileged access to the vast Chinese economic basin. These powerful international financiers played an important role in the preparations for the transfer of Hong Kong. [in 1996 *FORBES* magazine estimated the "official" personal fortune of Li Ka-Shing at US\$10.5 billion, Henry Fok Ying-Tung at \$2.5 billion and Stanley Ho at \$3.1 billion] (UC)

5. In 1984, the British Government of Margaret Thatcher announced that it would return Hong Kong to China on 1st July 1997. This was not news to the Chinese or the rest of the world since a treaty signed nearly a century before had stipulated that Hong Kong was to revert to China in 1997. The reality of the impending transfer, however, created insecurity that was strengthened by the tragedy of Tiananmen Square in June 1989. That incident made Beijing realize more than ever that it would have to prepare the ground for its arrival not only with regard to the financial community but also the population. In the late 1980s, Western intelligence services reported the very active presence in Hong Kong of the United Front Work Department (UFW). [The United Front Work Department is one of the five components of the ChIS See *CSIS Report 95-6/33, The Future of Hong Kong: New Dogma, Old Tricks*] For that purpose, the UFW was given the responsibility among other things for building alliance with the triads already affiliated with many business people. As early as 1992, Western intelligence services knew that Wong Man Fong, formerly head of the New China News Agency, was instructed to inform the triads bosses that if they agreed not to jeopardize the transition process and the normal business in Hong Kong, Beijing would assure them that they will be allowed to pursue their illegal activities without interference. [In May 1996 the publisher of the Hong Kong tabloid *Surprise Weekly*, received two individuals at his office at the height of the day. They cut off his arm with a kitchen knife because the newspaper was preparing to publish an article unfavourable to Beijing in relation to Hong Kong's return in July 1997 (UC)] The Beijing authorities also created a front company in Hong Kong for Wong Man Fong to facilitate his contacts with the triads and to assist triads groups set up legitimate businesses in China, particularly in Guangzhou and Shanghai. [Wong himself recently confirmed this information in a public conference in Hong Kong after defecting to Western authorities] Following these negotiations, Deng Xiaoping himself was speaking of the triads as "patriotic groups", and the Hong Kong press published a photograph of Charles Heung, a senior officer of the Sun Yee On, conversing with the patriarch's daughter. [See *Project Sunset, CIDRCMP*] At the same time, Interior Minister Tao Siji indicated that there were patriotic members among the triads and they were welcome to do business in China. (S)

6. The political class has also been targeted by Beijing's leaders. Without any doubts for the communist masters, it was essential to obtain the cooperation of key elements of influential local personalities. Their collaboration or their resistance in China's requests before July 1st was going to make a difference between the possibility to do business with China after the transition. To achieve this, political and business people have been approached and enthusiastic collaborators received positions within

various transition committees. For example, in early February 1997, Rita Fan Hsu Lai-Tai was appointed by Beijing chair of the Hong Kong Special Administrative Region (SAR) Provisional Legislative Council (LEGCO). Mrs. Fan Hsu has been identified as a secret cadre of the Chinese Communist Party and an associate of Albert and Sonny Yeung, both officers of the Sun Yee On triad. She is also the daughter of one of the leaders of the Shanghai Triad criminal organization known as the Green Gang before the Communist takeover in 1949. This group was known for its political assassinations on behalf of another triad boss, Chiang Kai Shek. (S)

## IMMIGRATION TO CANADA

7. Canada has always been a preferred destination for the people of Hong Kong. It is estimated that 100,000 Canadians live on the [Hong Kong] peninsula, and most of them are natives of the city. Hong Kong alone has been for the last 10 years the top source of immigration to Canada, with over 500,000 Hong Kong people now living here and accounting for 22 per cent of all immigration to Canada. To that must be added 17,000 students, amounting to a fifth of all foreign students in Canada. (C)

8. Among legitimate immigrants in recent years, some persons affiliated with or members of the Chinese triads [See Appendix III, *Origin and Description of the triads*] have succeeded in slipping in and obtaining Canadian citizenship. Several triad officers [See Appendix IV, *Profiles of Typical Triad members*] and their associates even have family members residing in Canada. Their choice of Canada was no accident. This country is an excellent place to invest in companies to launder the profits derived from criminal activities while securing a portion of their assets outside Hong Kong and obtaining a Canadian passport. Most of these individuals are members or associates of the upper echelons of the triads and own often large businesses in Hong Kong. As part of their secret agreements reached with the Beijing leadership, [See CSIS Report 95 606, *Organized Crime Links to the Intelligence Services of China and Taiwan*] these triads now use their Canadian acquisitions to engage in intelligence activities, such as intimidating individuals, identifying potential sources or facilitating visit of Chinese delegations on behalf of China. (S)

9. Two other types of investor represent another danger to the Canadian economy, namely, the rich Hong Kong Chinese business people and leaders of the Chinese civilian and military authorities of China. Like the "entrepreneurs" affiliated with the triads, Chinese investors from Hong Kong or Beijing have taken control of Canadian companies in various sectors of the economy. Some of these businesses have even obtained Canadian government classified contracts. The threat is more significant because the strategic alliance between the Beijing leadership and Hong Kong tycoons is reinforced by the powerful ethnic and cultural ties associated with *guanxi*. [See Appendix V, *Guanxi or Networking*] This concept rules the links, the obligations or duties and the type of relations between individuals and is characteristic of the Chinese culture. (S)

10. In all three cases, their commercial activities have enabled them to develop a position in the Canadian economy that affords them the opportunity to engage in intelligence activities, such as illicit transfer of technology, foreign influence and



interference, identification and cultivation of persons favourable to China, and the acquisition of undue control in important Canadian economic and political circles. (S)

11. Even before Hong Kong's official return to the Communists, it was established by several Western agencies that their national immigration systems had been affected by illegal ChIS and triad interference. Laurence Leung Ming-Yen, a former director of the Hong Kong immigration service, is still under investigation after he had to resign under the pressure of allegations of corruption and illegally disclosing confidential information about residents of the peninsula. The controversy surrounding Leung was fed by his business relationship with the flamboyant tycoon Tsui Tsin Tong, well known for his pro-Beijing views and a member of the notorious Chinese People's Political Consultative Conference and Preparatory Committee. The murder of Leung's young daughter in Vancouver in 1993 by a crossbow bolt has still not been solved. The Vancouver police suspect the crime was committed by triad members.

12. In 1996, an extensive special investigation within the American immigration service led to the arrest of two former hands of this service stationed in Hong Kong. Jerry Wolf Stuchiner was found in possession of illegal Honduran passports [*Several thousands of Honduran passports were reported stolen last year*] and was recently release after he accepted to collaberate in the trial of James DeBates [*Stanley Ho, the Macao casino tycoon, is honorary Consul of Honduras in Macao*]. James DeBates and his wife Heddy, an American of Chinese origin, were also arrested and questioned regarding their involvement in Stuchiner's activities and the illegal entry of Chinese immigrants into the United States. Canada has unfortunately its share of difficulties. Different cases were investigated and like the case of Robert Geddes, a former citizenship judge whom was charged in May 1997 with 33 counts of fraud and misrepresentation in 13 known cases involving Hong Kong Chinese. (S)

13. Analysis of the destination of immigrants broken down by Canadian province is an indicator of the concentration of the activities of these groups. Between January 1990 and March 1997, 39.1 per cent of the persons registered in the entrepreneur and investor categories chose to settle in British Columbia, particularly in the south Fraser Valley. Ontario for its part received 28.5 per cent of immigrants, who settled mainly in the Toronto area. This pattern is explained by the large, long-established Chinese communities in these areas which are essential to the activities of the triads, Chinese investors and ChIS. Under the same program, 20.6 per cent of such immigrants settled in Quebec while Alberta received only 7.3 per cent. (S)

#### HUNDREDS OF CANADIAN COMPANIES "MADE IN CHINA"

14. The influx of Chinese investors who are affiliated with the triads or new associates of Beijing poses a challenge to Canada's national security. The central point of the strategy of the Chinese is first to buy a Canadian company so as to obtain a "legal identity", legally concealing subtly their foreign identity. Then, using this acquisition, the Chinese-Canadian company invests heavily or buys other companies in various economic sectors, but always under the Canadian banner. In actual fact, control lies in

Hong Kong or Beijing, and the financial benefits or fruits of research, often paid for by Ottawa or the provinces, are likely to make their way to Asia. (S)

15. Hand in hand with their ethnicity and their commercial ambitions, the financial network of the Chinese entrepreneurs associated to the organized crime and to the power in Beijing has grown exponentially and very rapidly in Canada. Their influence over local, provincial and national political leaders has also increased. In the game of influence, several of these important Chinese entrepreneurs have associated themselves with prestigious and influential Canadian politicians, offering them positions on their boards of directors. Many of those companies are China's national companies. (S)

16. The analysis of the information demonstrates that their attention was not initially directed towards sensitive sectors like high technology or other even more sensitive areas, but towards what might be called "soft" sectors such as: real estate, hotels, transportation, oil companies and travel agencies. Commercial sectors that at first sight do not involve any security risks and did not attract the attention of the Canadian services responsible for security. The scale of their ventures or investments has now made them some of the most important figures present in the major centres, and their decisions to invest in one place or another are not a matter of indifference to anyone. Such projects are seen by the local or national business community as a "favour" or a "chance" not to be missed. (S)

## CASE STUDIES

17. It is estimated at the present time that over 200 Canadian companies are under Chinese control. These businesses are to be found in myriad sectors of the economy, ranging from multinationals to banking, high technology and real estate. Some typical cases are presented here to illustrate the various scenarios that are clearly worrying for Canada's national security. At first sight, these individual cases do not seem to be a great threat. It becomes, however, more disturbing when the ownership links between various sectors of Canadian enterprises are revealed. (S)

### Multinationals

18. CITIC (Canada) China International Trust Investment & Company (CITIC) is the largest Chinese company operating internationally. It has subsidiaries in several Western countries, including the United States and Canada (Vancouver). Founded at the end of the 1970s, it now has assets worth US\$23billion. Its subsidiary in Canada, CITIC BC Inc. opened its doors in 1986. By 1995, it reported a turnover of CDN\$250million (1996). The projections for 1996 aimed for \$290 million. (UC)

19. CITIC was initially established to encourage foreign investment in China. It has since taken the lead in Chinese investments outside China, in all areas from real estate to electronics. In 1979, Beijing appointed to CITIC's board of directors three Hong Kong financial giants, Li Ka-Shing, Henry Ying-Tung Fok and Wang Foon-Shing. With their assistance, in the following years the Beijing acquired important companies such as

Cathay Pacific Airlines, Hong Kong Telecom and Star TV. In Canada, it is estimated that CITIC has invested nearly \$500 million to buy up Canadian businesses in various areas, such as Celgar Pulp Mill in British Columbia, Nova Corp Petrochemical in Alberta, real estate through Hang Chong Investments Ltd. and hotels. Eventually, CITIC developed also close business links with Power Corporation. (S)

20. CITIC recently attracted American media attention in the scandal over illegal contributions to the US Democratic Party and influence-peddling by the Chinese government (see section below). CITIC, China Resources and the Lippo Group (in which in both Li Ka-Shing is a large shareholder) are at the centre of the affair. CITIC chairman, Wang Jun, is also chairman of Poly Technologies (see next section). CITIC has repeated the gesture by contributing through its Canadian subsidiaries in Canadian political parties (UC)

21. Norinco and Poly Technologies (Poly Group). Northern Industrial Corporation (Norinco) and Poly Technologies (a subsidiary of Poly Group) are both owned by China and are under the control of CITIC. They have subsidiaries around the world, including Canada (Montreal) and the United States. Poly Group was until recently headed by Deng Xiaoping's son-in-law, He Ping, and is part of the entrepreneurial drive of the People's Liberation Army (PLA). Several large quantities of arms manufactured by Norinco have been confiscated on Indian reserves, especially those of the Mohawks. In May, 1996, US authorities made what they described as the biggest arms seizure on American soil, confiscating 2,000 AK-47 assault rifles and other military weapons from a warehouse in California. The US-based Chinese representatives of Poly Technologies and Norinco were arrested in connection with this affair. Although the final destination of the arms has still not been determined, the Amerindians "warriors" and American militias trails are strongly suspected by US authorities. (S)

22. In another incident, the Rex International Development company of Hong Kong, in which Norinco is the majority shareholder, is currently under investigation and possibly subject to prosecution for exporting components for the manufacture of chemical weapons to Iran. Rex was established in 1982 as a joint venture with Norinco by Tsui Tsin-Tong, a financial partner of Li Ka-Shing. Tsui filed an application to emigrate to Canada in 1985 which has been renewed several times. His case is still not settled because he has never satisfied the Canadian authorities by providing adequate explanations of his contacts with the PLA and the ChIS. Silver City Development Ltd., which holds shares in Rex, has been used for several years by the ChIS and the Chinese leadership as an investment front and cover. (S)

23. Through the power of its multinationals industries and the billions of dollars they generate, China has been able to establish itself in the Western economy. This gave to that country an enormous advantage in the pursuit of gaining influence. In return through these subsidiaries, they are able to open channels to facilitate access to Western power and traffic of illegal weapons or technology. (S)

#### **Banks and financial institutions**



24. CIBC and the Hong Kong Bank of Canada. The banking industry is one if not the most important economic leverage of this country. To control or to be able to influence the actions of a bank gives to a single or a group of important share holders a very influential and privilege position in our society. In this domain, Canada might be in a disadvantaged position. Of the G-7 countries, Canada has the fewest banks: that is five major institutions including the CIBC which in turn creates the highest concentration of assets in the same hands. Banks, as a whole, hold 57 per cent of industrial shares, 54 per cent of private deposits and 65 per cent of personal credit. Some analysts predict that the Canadian banks will hold 70 per cent of the mutual fund market by the year 2000. (UC)

25. Rich investors like Li Ka-Shing and even the Chinese regime itself got interested in the 1980s to invest in banks and Canadian banks too. Li Ka-Shing owns 10 per cent of the CIBC, which is the largest single individual share holder. He is also in partnership with the CIBC in many companies like development project of the land of Expo 86 in Vancouver (CDA\$3billion). This bank seems to be particularly used by Chinese investors. The 1980s saw several bank acquisitions and mergers in this country. The Continental Bank was sold to Lloyds Bank Canada which in turn was bought by the Hong Kong Bank of Canada. The latter is the sixth largest bank in Canada and the largest foreign one. In 1986, it acquired the Bank of British Columbia, Li Ka-Shing and Stanley Ho *(Stanley Ho holds a monopoly on the six casinos on the island of Macao which alone bring in US\$6billion a year (UC))* are share holders and on the Board of Directors of the Hong Kong Bank in Hong Kong which owns the subsidiary in Canada. The Government of China is also a share holder of that bank. (UC)

26. Wood Gundy, Merrill Lynch and Gordon Capital Corp. Other important financial sector linked to banks is the brokerage house business. In Canada, it is dominated by a few large banks. In 1993, eight of the largest Canadian brokerage institutions were owned by five banks and controlled 70 per cent of the securities market. In 1998, the CIBC bought 65 per cent of the shares of Wood Gundy at a cost of CDA\$190million, or three times the book value. (UC)

27. In 1990, the CIBC took over Merrill Lynch Canada, one of the eight large Canadian institutions. Merrill Lynch International is owned by Thomas Fung (see below, China Vision) and Li Ka-Shing business associate. Another prestigious old Canadian firm is Gordon Capital Corp. became 50.1 per cent owned by Richard Li, son of Li Ka-Shing, in October 1995. That is two years after Richard began to work for the firm. After Richard joined the board, William (Ken) Davidson, former vice-president and executive director of the CIBC, received a position on the board, and Bob Fung the position of vice-president. His son Mark often travels on Team Canada trips to Asia. Again, it is not only the financial leverage that should be noticed but the gain of influence that sector offers. (S)

#### High technology

28. Semi-Tech Corporation. Semi-Tech Corporation is a Canadian multinational corporation based in Markham, Ontario. It was formed from various public companies

listed on several stock exchanges, including Toronto, Montreal, New York, Tokyo, Osaka, Nagoya, Frankfurt and Hong Kong, and has revenues of over US\$3.5 billion. This corporation, and its chairman James Ting in particular, have business ties with China. Stanley Ho is the principal shareholder through his company Shun Tak (Hong Kong) and sits on Semi-Tech's board. (UC)

29. This company has concentrated in particular on information technology, establishing Semi-Tech Microcomputers Ltd., Semi-Tech Microelectronics Corp., Semi-Tech Electronics, Singer and STM Systems Corp. The last of these was established by the merger of Data Crown (Canada) and Canada Systems Group, two companies that count various federal government departments among their clients and some of whose employees are regularly in contact with Chinese diplomatic representatives. Of particular note is the fact that Canada Systems Group had applied to undertake the development of COSICS, the Canadian On-Line Secure Information and Communication System that was to link the Department of External Affairs, the RCMP, CSIS and National Defence. The project was suspended by the federal government due to the lack of financial resources. (S)

30. China Huaneng Group, Unipac Canada Ltd. and Goldpark China Ltd. On 13 January 1997 Canadian newspapers announced that the Chinese companies China Huaneng Group Hong Kong Ltd. (CHG(HK)) and China International United Petroleum and Chemicals Co. (Unipac) had concluded an agreement whereby Huaneng could buy 70 per cent of the shares of Unipac Canada Ltd. Unipac Canada Ltd., in turn, holds 57 per cent of the shares of Goldpark China Ltd. of Toronto which holds exclusive world rights for the production of photographic security systems. CHG(HK) is a subsidiary of the fifteenth largest Chinese State company, China Huaneng Group. Unipac for its part is a giant of the Chinese oil industry which has sought in recent years to diversify its activities. It is also famous for the many lawsuits against it for its illegal transactions involving large arms sales to Iraq for oil. (UC)

#### Entertainment and media

31. It has been known for several years that the Hong Kong triads, particularly Sun Yee On, control the Chinese entertainment industry. In Canada, some promotion companies with affiliation to Chinese organized crime and the ChIS have organized tours for artists from China and Hong Kong. Significant investments have also been made by these groups in the Canadian Chinese-language media, including the Chinese-language television industry which is integrated into the general Canadian television system. (S)

32. Charles Y.M. Kwan Promotions. Charles Kwan Yee Man [see Project Shebang CID/RCMP] has been active in the Asian live entertainment business industry for years through his companies, including China Cultural Promotions Limited and Charles Y.M. Kwan Promotions Inc. In the course of his business activities Kwan is regularly in contact with prominent members of the Hung Lock and Sun Yee On triads. He also maintains relations with the Chinese Free Masons (CFM) in Toronto which have always been used by the ChIS to identify potential sources and promote Chinese policies. (S)

33. North America Studio (Canada). Although this company closed its doors in 1996, it was well known in police circles for its criminal origins. Also using the names North America (Canada) Motion Picture Corp. and North America (Canada) Television Corp., this company has been under the control of the Sun Yee On triad since its beginning. The firm attracted media attention recently as a result of the legal saga of Miranda Yuen, an employee of North America Studio and the ex-wife of the top boss of the Wo Hop To triad. In the early 1990s, members of the Sun Yee On triad bought a warehouse in Markham, Ontario which was converted at a cost of \$7 million into a film and television production studio. The group has since been the subject of ongoing investigation by police authorities in connection with certain criminal activities. Some of the company's executives were regularly in contact with representatives of the Chinese diplomatic missions in Canada and were regularly involved in Canadian political circles like serving as intermediaries in organizing a dinner between the mayors of Shanghai and Toronto. (S)

34. China Vision and Fairchild Entertainment. China Vision is a pay-TV station in Toronto, established by Francis Cheung in 1981. In 1991 it had about 110,000 Canadian subscribers of Chinese origin in the Toronto, Edmonton, Calgary and Vancouver areas. Pro-democracy groups across Canada submitted briefs to the CRTC alleging that Cheung received financial assistance from the Chinese government, and that China Vision's reports on China were approved and influenced by the government of that country. (UC)

35. In 1992, the CRTC entertained an initial offer of purchase for China Vision. This offer was made by John Sham, a Toronto resident, Hong Kong film promoter and an employee of Television Broadcast Ltd. of Hong Kong. Sham is an associate of Charles Heung, a senior officer of the Sun Yee On triad. The potential buyers of China Vision included John Sham and North America (Canada) Television Production Corporation, which was affiliated with the Sun Yee On triad [see *Project Sunset, CID/RCMP*]. This offer was withdrawn following information given to the CRTC by Canadian authorities. (S)

36. In 1993, Thomas Fung of Fairchild Communication Ltd. of Vancouver submitted an offer to purchase China Vision to the CRTC for CDN\$9.25million. Fairchild Communications Ltd. is 80 per cent owned by Happy Valley Investments Ltd. also of Vancouver, and 20 per cent by Television Broadcasts Ltd. of Hong Kong, the largest global producer of Chinese-language programming. Various Canadian groups of Chinese origin opposed Fairchild's purchase offer because they were concerned that this sale would open the door for the Chinese government to influence Canadian television news broadcasting. They argue the station would be vulnerable to political pressure from the Chinese government, especially after 1997, and because the Hong Kong media often practised censorship where China was concerned for fear of offending the government of that country. Although the CRTC shared some of these groups' concerns, in October 1993 it approved the purchase of China Vision by Fairchild Communications Ltd., granting it a licence for four years. It should be pointed out also

that Fung has bought an important amount of shares in Hollinger and Southam, two press giants in Canada. (C)

37. Hong Kong Telecommunications and Wharf Cable Ltd. In March 1997, these two companies formed a consortium with Li Ka-Shing's Hutchinson Whampoa Ltd., Cheng Yu-teng's New World Development Co., and Heung (Jimmy) Wah-shing's Win Film Co. Jimmy Heung is known in Hong Kong as a senior officer of the largest triad, Sun Yee On. He is the younger brother of Heung Wah-yim, the Dragon Head of this group, who was officially identified in 1992 by the US Senate's Standing Committee on Asian Organized Crime. The output of these companies is used by the Canadian Chinese-language media. It should be noted that the company was bought by another Hong Kong company, Fairchild Communication, and CITIC is also the owner of Hong Kong Telecom. The productions of all the above mentioned companies are used by the Canadian Chinese-language media. This transaction highlights well the close relationship among Chinese business people, the triads and China's power. (S)

#### **Food-services industry**

38. Tai Foong International. Triad members or their associates are also involved in the food-services industry; witness the example of Tai Foong International of Mississauga, Ontario. The company's chairman and managing director, David Lam, is affiliated with the Kung Lok triad [Project Sunset]. Tai Foong International sells seafood around the world. The company has offices in Vancouver, Calgary and Montreal, with headquarters in Mississauga. It has divisions in the United States: specifically Las Vegas and Seattle and in Hong Kong. According to our information, Tai Foong International is believed to be involved in importing heroin into Canada from Hong Kong [Project Sunset]. In addition, various members of the management have for several years maintained regular contact with Chinese trade and military representatives in Canada, organizing meetings, paid visits of Chinese delegations and so on. Several, including David Lam, have travelled frequently to China on business. (S)

#### **Real estate and hotels**

39. Everywhere in the world the core of Chinese economic activity is located in large urban centres. In Canada, the bulk of the country's economy is concentrated around a few large cities only. Real estate has always been a preferred area for the Chinese, and several have built large fortunes from it. In itself real estate is not an obvious threat to the security of Canada but it becomes an excellent vehicle to gain access to local politicians and their influence and power. You own one building is one thing, you own 10 or 20 commercial buildings and then your influence is considerable. If you are located in the heart of the business activities, you are the focus of attention. The business centres of Toronto, Vancouver and in part Montreal are now in large portion owned by Hong Kong or Beijing. (C)

40. Grand Adex Properties Inc. and Concord Pacific Development Corp. Grand Adex is wholly-owned by the Kuang Hui and Li Ka-Shing families. In 1987, the two tycoons' sons, Terry Hui and Victor Li, helped Li Ka-Shing acquire 80 hectares of Expo 1986 land

in Vancouver for Concord Pacific. They are now pursuing a residential development mega-project estimated to be worth \$3 billion. In March 1997, Grand Adex and Concord Pacific repeated the same scenario by going into partnership with the Toronto company Trizec Halm Corp. (80 per cent foreign owned); obtaining a \$2 billion project and 18 hectares of prime land west of Skydome in downtown Toronto. They also obtained an exclusive lease on the CN tower for the 35 years with two possible 15-year extensions. At 33, Terry Hui, who has now obtained Canadian citizenship, heads up these two companies and is considered the most important property developer in Vancouver. (UC)

41. World Financial Properties. In 1992, when the Reichman brothers' Olympia and York Development company faced a serious financial crisis, the CIBC was the Reichmans' largest Canadian creditor, and the Bank of Hong Kong the largest overall creditor. Li Ka-Shing's Dragon Holdings Ltd. acquired 61 per cent of Olympia and York Dev.'s New York office towers for \$20 million and, in 1996, bought Olympia with the assistance of the Bronfman family, renaming it World Financial Properties. (UC)

42. Ramada Hotels Harbour Castle (Toronto) and others. Large hotel chains and almost all the prestige hotels in Canadian urban centres are now owned by Chinese private or state interests. This is an easy service sectore and is used mainly to generate income while increasing property holdings. Such is the case of the Ramada international chain, owned by Stanley Ho (25 hotels in Canada), the Sutton Place in downtown Toronto, acquired in 1993 for CDA\$29million and the Meridien Hotel in Vancouver. The Harbour Castle Westin in Toronto was bought by Li Ka-Shing in 1981 at a price of \$93 million and a further \$20 million payment in 1989. Other examples; the Carlton Inn and the Carlton Place in Toronto are owned by CITIC. This, of course, is only a key part of what is to be found in Vancouver, Montreal and other Canadian centres. (S)

\*\*\*\*\* 43 -- 45 \*\*\*\*\* ???

46. All areas of the Canadian economy are targeted, but high technology is the one most at risk. Several cases of theft of Canadian proprietary information and/or technology have been reported to and investigated by Canadian authorities. For example, Ontario Hydro believes it was the victim of theft of information in the nuclear technology field by an individual of Chinese origin. This individual sent unauthorized faxes (some containing hours worth of data) to a telephone number in China associated with the State Science and Technology Commission. In another case, a Chinese employee of a major computer company based in Canada was accused of copying the company's proprietary information onto diskette for the purposes of selling the information to China. In a third instance, a Canadian company alleged that one of their former employees, who had previously served in the Chinese military, stole proprietary information regarding energy technology and sold it to the Chinese government. (S)

47. The Chinese government also takes advantage of growing business ties between China and Canada to provide cover for intelligence activities. For example, a company



owned by a Chinese-Canadian sponsored what was ostensibly a Chinese business delegation to come to Canada. In reality, the "delegation" was comprised of Ministry of State Security officials travelling to Canada to conduct an intelligence operation. Another delegation that travelled to Canada under the cover of representing a Chinese company was actually composed of officers from a sensitive sector of the People's Liberation Army, who were attempting to make arrangements to purchase secure communications technology for military purposes.

48. The ChIS do not hesitate to expend great energy on pursuing their activities. They have established companies on Canadian soil solely for traditional and economic espionage purposes. These companies are used as cover for ChIS agents to help gain them an entrée into Canadian business circles. These front companies have been observed to have contacts with the triads in Canada. (S)

#### **INTERFERENCE BY FINANCING CANADIAN POLITICAL PARTIES**

49. One of the means used by the Hong Kong business people and triads associated to Beijing is to seek influence and support among Canadian politicians by financing political parties. This practice is not unique to Canada. Recently, a stir was caused in the US media over the illegal Chinese funding of the Democratic Party. Over 2,000 American companies suspected of being used by Chinese are currently under investigation by the FBI. In 1993, Britain was wracked by a similar scandal when over £1.5 million (or nearly CDN\$3million) was donated to the British Conservative Party by Hong Kong financiers such as Li Ka-Shing (CDA\$1.8million), Stanley Ho (\$200,000), Tsui Tsin-Tong (\$100,000) and even C.H. Tung (\$70,000) who is now Beijing's man in Hong Kong. (C)

50. Canada also allows "Canadian corporate citizens" to make financial contributions to political parties, but the parties are obliged by the Canada Elections Act to report the amounts. Many of the companies identified in this research have contributed sometimes several tens of thousands of dollars to the two traditional political parties: the Liberals and the Conservatives. As examples, in 1994, Merrill Lynch Canada gave the Liberal Party \$20,437.94. Between 1991 and 1994, Husky Oil, which is owned by Li Ka-Shing, alone contributed over \$100,000 to the same two parties. North America Studio (Canada), which was affiliated with the triads, also contributed. Set within their Canadian and regional contexts, the total amounts of these contributions to local organizations is substantial. Further, an "entrepreneur" may have several businesses in an area that will also contribute to the parties' funds. In the end, large sums are distributed by various hands but from the same wallet. It is precisely the total amount distributed at several places that makes the interplay of influence and political "friendships" so important. (S)

51. The information presented here represents only a very partial view of the real situation and brings questions to the amount of influence gain through donations. To obtain a complete picture, further research would be needed. (S)

#### **THE IMPORTANCE OF THE CHINESE DIASPORA**

52. The key to the Chinese riddle lies in understanding the unique culture of the Chinese people [See Appendix VI, *The Chinese Diaspora*]. The core of this culture is to be found in the importance of developing and maintaining a very broad network of privileged contacts based on the fact of being Chinese, your backers (*Hoa Tai*) and an individual's obligations towards others (*Guanxi*). Furthermore, no other ethnic group in the world can equal the economic power of the Chinese diaspora. Their numbers are estimated at over 60 million, and their financial power is put conservatively at over US\$2trillion. With the wave of immigration from Hong Kong, this financial power has grown again exponentially. Most Southeast Asian countries have long found their national economies to be dominated sometimes by as much as 90 per cent, by the Chinese community. While not supporting its political views, most Chinese retain a strong attachment to the Motherland remains. The Chinese diaspora is present on every continent and has always been, willingly or not, the point of entry into and the centre of operations in a foreign country for the ChHS and the triads. (S)

### CONSEQUENCES FOR CANADA

53. Because of its strategic alliance with some important and influential Hong Kong business people, and with organized crime syndicates, the Chinese leadership appears to be today in a position to developing a potential of influence over the international market and particularly on the Canadian economy and political life of the country. Why Canada? Because Canada has always been somehow favourable to China. It has also an important Chinese community and very important economic ties with Hong Kong. Having bought significant real estate holdings and established companies in Canada, gain some access to political leaders and business people, it is now in a position to seek power by influence. What makes it difficult to argue against is the fact that most of it has all been done legally. Even more, the threat is manifold and very elaborated in a complicated web of businesses. It diffuses itself through a not so tangible network. If you look at a single individual, the threat does not seem to be there but because of their associations and their alliances with China, the facts analyzed lead to the belief that a gain of influence has been the object of a concocted plan and that could constitute a threat to Canada. (S)

54. Some Chinese owners are now in a position to use the Canadian companies they have bought and some political channels that they have developed to obtain subsidies for research and even classified contracts. Once access is gained, little is in place to prevent them from repatriating the fruits of the research or classified information to China. (S)

55. The triads and their associates also used these positions to transfer large sums of money derived from criminal activities into the Canadian economy. Buying Canadian property or a Canadian business affords a "window" of opportunity to pursue their illegal activities in Canada, such as money-laundering and drug-trafficking. (S)

56. One of the important dimensions of the Chinese financial holdings is its ownership over important Canadian real estate. The nerve centre of the Canadian

economy is concentrated in three or four large urban centres. Already, a large part of these financial centres are in the hands of Chinese interests [For example, Li Ka-Shing owns several buildings in the core of Toronto's financial district. It is also estimated that he currently owns one-sixth of downtown Vancouver. Among some of his projects, he bought the largest undeveloped sites in any downtown core in Canada: the land around the CN Tower and obtained with it the exclusive right to use the tower for \$2 billion dollars, Expo '86 lands in Vancouver for \$3 billion dollars, Harbour Castle Westin in Toronto (\$93 millions 1981)]. Canada is not the only country where we observe this situation. One has only to look at the profile of the Southeast Asian economy or the investigations currently underway in the United States. The Canadian economy, however, is more vulnerable because of many legislative loop holes governing finance and the concentration of financial power in the hands of few. The potential of threat also lies in the fact that, at present, a foreign power, China, seems to be in a position to influence the Canadian economy and politics. (S)

57. Several Canadian companies in the security field, such as computer management and video surveillance, are now owned by Chinese interests. When a contract is awarded by federal departments to private companies, the usual security investigations are done on the persons who will eventually be working on a project or installing equipment. Now a new threat seems to be itself in relation with the ownership of some companies. The case of Data Crown is a good example of this situation. Although some verifications to investigate foreign companies are done by a group of people at the Department of Public Work, it is not impossible that this shortcoming has already been exploited but no one is able at the moment to answer this question with any certainty because of the complexity of the ramifications involving Chinese companies owned or the ones with some special interest with China. (S)

58. There is no longer any doubt that the emigration process in Hong Kong has been abused, and that individuals are being corrupted in some of the Western immigration services. The entry of triad members and the cases of 13 illegal migrants laid against an ex-judge of the immigration services are not the only cases of malpractices and had caused in the past problems to the immigration system. This situation places Canada in a vulnerable position regarding illegal immigration and shows the interest by the Chinese of the Canadian immigration system. (S)

59. China remains one of the greatest ongoing threats to Canada's national security and Canadian industry. There is no longer any doubt that the ChIS have been able to gain influence on important sectors of the Canadian economy, including education, real estate, high technology, security and many others. In turn, it gave them access to economic, political and some military intelligence of Canada. The great difficulties in determining the threat is that it is diverse and multi-layered. It diffuses itself through elaborated networks held by a cultural practise that still is not well understood by Western Services. (S)

## RECOMMENDATIONS

1. An expanded task force including analysts from at least the RCMP, CSIS, DFAIT, Immigration Canada and Revenue Canada (Customs and Excise) should be formed to pursue the research begun by this document. (S)

- To access the actual control of Chinese companies over the Canadian economy. (S)
  - To review who the influential Canadian figures are on the boards of the Canadian companies. (S)
  - To consult the FBI, which has recently undertaken a similar study; such consultation could prove mutually beneficial. (S)
2. Support a series of presentations to CSIS regional directorates and RCMP divisions to alert operational managers to the need to investigate Chinese activities the better to grasp the links among the Chinese Intelligence Services, the triads and entrepreneurs in the service of Chinese companies. (S)
  3. Organize a series of presentations for senior members of the Canadian security and intelligence community. (S)
  4. Organize presentations for specific government departments affected by the problem other than those in the intelligence community, such as Justice and Industry. (S)
  5. Undertake review of security companies which have installed security systems for federal government departments and Crown corporations to determine the real control and ownership of the companies and the potential risk to the integrity of the systems. (S)
  6. Carry out thorough research to determine the extent of contributions to Canadian political parties by Chinese companies established in Canada. (S)
  7. Produce a strategic analysis of the activities and involvement of the government of China and the triads in Chinese entertainment and media in Canada. (S)

## **APPENDIX I**

### **ANNUAL NUMBER OF CERTIFICATES OF PERMANENT RESIDENCE IN CANADA FOR PERSONS FROM HONG KONG SINCE 1990: "ENTREPRENEUR" AND "INVESTOR" CATEGORIES**

*Citizenship and Immigration Canada Permanent Resident Databank April 1997*

	<b>ENTREPRENEUR</b>	<b>INVESTOR</b>	<b>TOTAL</b>
<b>1990</b>	<b>4294</b>	<b>2293</b>	<b>6587</b>
<b>1991</b>	<b>3622</b>	<b>2500</b>	<b>6122</b>
<b>1992</b>	<b>8130</b>	<b>4458</b>	<b>12588</b>
<b>1993</b>	<b>7698</b>	<b>5246</b>	<b>12944</b>

1994	5758	5437	11195
1995	3623	2046	5669
1996	4352	2694	7046
1997 (March)	504	268	772
1990-1997	37981	34942	62923

## APPENDIX II

### ANNUAL BREAKDOWN OF THE CHOICE OF PROVINCE BY PERMANENT RESIDENTS FROM HONG KONG: "ENTREPRENEUR" AND "INVESTOR" CATEGORIES *[ibid]*

	1990	1991	1992	1993	1994	1995	1996	1997 (March)	1990- 1997
Nfld	13	3	9	8	9	1	0	0	43
PEI	6	2	4	12	5	13	27	0	69
NS	22	42	79	160	243	168	204	19	918
NB	9	12	21	17	13	14	4	0	90
PQ	1481	1555	4354	3379	855	586	738	64	12948
Ontario	1857	1595	3099	3627	3399	1839	2196	346	17612
Man	76	89	142	119	143	22	28	3	619
Sask	115	73	286	261	138	39	13	4	925
Ab	341	329	825	1048	1025	428	559	61	4555
BC	2663	2417	3762	4313	5354	2559	3269	275	24337
NWT	4	5	0	0	7	0	4	0	20
Yukon	0	0	7	0	4	0	4	0	15
Total	6587	6122	12944	12954	11195	5669	7046	399	62928

## APPENDIX III

### ORIGIN AND DESCRIPTION OF THE TRIADS

1. The origin of the triads remains blurred by romantic legend, heroic myths and patriotic folklore. "Triad" is an English term given to describe the three-sided symbols found on many of the early flags and banners of various Chinese political and social organizations. The three sides represent the three primary forces of the universe — heaven, earth, and man. Triads originated in China during the 17th century in the form



of secret societies. They were dedicated to the political cause of overthrowing the Mongolian Manchu (or Ch'ing) Dynasty. While their original intentions were patriotic in nature, by the late 1800s, triads had evolved into widely feared criminal societies.

2. During the upheavals in China in the early part of this century, they aligned themselves with the nationalist Chiang Kai Shek, himself a triad leader. When the communists seized control of mainland China in 1949, these syndicates fled to Hong Kong and Taiwan.

3. Triads today remain extremely secretive and closed criminal fraternities. The triads also developed highly ritualized initiation ceremonies meant to instill a strong sense of secrecy, and more importantly, loyalty to other triad members. Thirty-six oaths, most dealing with loyalty to the triad, traditionally are part of the initiations. For example, Oath number 4 states: "I will always acknowledge my Hung brothers when identify themselves. If I ignore them, I will be killed by myriads of swords." Oath number 20 states that if a brother gives away the secret ceremonies of the society, may he be eaten by a tiger or have his eyes bitten out by a snake. Each oath ends with a promise of death if the oath is broken.

4. An individual gains considerable benefits from being a triad member. These benefits include:

- 1) FREEDOM OF MOVEMENT - membership gives the automatic right to operate socially or criminally in an area controlled by the triad.
- 2) FINANCIAL AID - when arrested by police, he can rely on fellow members to provide financial aid for legal expenses and his family.
- 3) CONFIDENCE - triad members who are involved in syndicated crime require continuous contact with their fellow conspirators and the fact that all have taken a triad oath instills a greater degree of mutual trust.
- 4) FEAR - the fact that a criminal is a triad member and tells his victims so, often reduces the necessity for violence.
- 5) FACE - this is very important and there is no doubt that triad membership increases one's status in the criminal community.
- 6) POWER OR PHYSICAL SUPPORT - if involved in a dispute he can summon fellow members to his aid to intimidate or assault the opposing party.

5. All triad societies display some degree of hierarchy, and a typical triad has members organized by rank. Each rank carries a title and a numerical value, based on triad ritual. The leader of a triad is known as the "Dragon Head" or the Mountain Lord, and carries the rank "489". Other "office bearer" positions include the deputy head of a branch also known as Assistant Mountain Lord, who carries the rank "438". This rank

population and an influential and powerful infrastructure in virtually every country in the world enables Chinese crime gangs to carry out transnational and domestic criminal activities on a much bigger scale than the Italian Mafia, the Columbian drug cartels and Russian-based organized crime.

## APPENDIX VI

### CHINESE DIASPORA

1. The dynamics of Asia's extraordinary growth cannot be understood without a thorough examination of the Overseas Chinese also known as Hua Quiao. The Overseas Chinese community is a borderless nation, united by ties of family, clan, language and motherland. It is estimated that there are some 60 million Overseas Chinese who contribute much to the overall economic strength of their ancestral homeland, providing ready-made linkages and networks (guanxi) for legal and illegal business.
2. Hua Quiao influence, power and wealth are disproportionate to its size. "In some Asian countries, the small populations of Overseas Chinese control an amazing percentage of the economy; in Thailand, the Overseas Chinese comprise only 10 per cent of the population (8 million) but have 60 per cent control over the economy; in Malaysia 35 per cent and 60 per cent; in the Philippines, 2 per cent and 60 per cent; in Vietnam, 5 per cent and 60 per cent; in Indonesia, 3 per cent and 85 per cent. In countries where Chinese have been the dominant group for much longer, the percentages are higher: in Singapore, 75 per cent and 95 per cent; in Taiwan, 100 per cent and 100 per cent." [Douglas D. Daye, *A Law Enforcement Sourcebook of Asian Crime and Culture*, 1997 pp 170-171]
3. "The Overseas Chinese community has one of the world's largest pools of liquid capital, amounting approximately US\$2trillion. Their "GNP" is estimated to be one quarter larger than that of China, that is, approximately US\$150billion. This is a staggering amount considering that Japan with a population double that of the Overseas Chinese, has only US\$3trillion in assets in 1990." [Mark Craig, *Chinese Organized Crime*, Queensland Police Service, Australia 1996] This power base is the result of a pragmatic cohesion of ethnic solidarity aided by official and unofficial networks. This cohesion is complemented by sophisticated resources supporting information and technology on a global scale.

end

## A Hero For A Thirsting Country

In 1996, Cpl. Robert Read, then a 24-year veteran of the force, was attached to the RCMP's immigration and passport section in Ottawa. He was dispatched to investigate immigration control officer Brian McAdam's allegations that widespread corruption existed within the Hong Kong visa office (About 2,000 blank visa forms had vanished, and 788 files containing classified information on suspect applicants to Canada had been deleted from immigration computers -- either by local staff linked to triads, or Canadians swayed by packets of 'lucky' money). "After discovering evidence of the corruption in our consular operations which reached into the upper echelons of the federal government, Read was inexplicably taken off the file. He then fought to have the investigation reopened going through several levels of RCMP bureaucracy, the Public Complaints Commission, the auditor general, [CSIS], then finally, the media in the form of Vancouver Province. ... The Province broke the Sidewinder story shortly after the Read revelations." (North Shore News, May 8, 2000) By 1999, Read was ostracized, reviled as a traitor, dismissed as a conspiracy nut, investigated, and suspended without pay as the target of internal inquiry and a criminal investigation for violating his secrecy oath. He was ordered to turn in his badge, firearm, and keys to his office. He was forbidden to wear the uniform. He was ordered to report to the RCMP's 'A' division in Ottawa between 8 a.m. and 4 p.m. every business day (but otherwise barred from setting foot on RCMP premises anywhere without escort). He was forbidden travel outside a 100-kilometre radius of his home without express permission. Six years on -- the Sidewinder Report and the fact that up to 30 foreign service officers named in Read's investigation have been reprimanded for accepting "gifts" from wealthy Chinese families notwithstanding -- Read is still enmeshed in the coils of punishment Canada reserves for the man of conscience. However, "the RCMP are probing the thefts of hundreds of highly controlled blank

immigration forms from five offices nation-wide, as well as unauthorized searches of a police data bank. The Mounties are trying to determine whether the blank IMM1000 forms -- which authorize a person's admission to Canada -- in addition to sensitive information stolen from police computers, were sold to al-Qaida terrorists or other criminals, according to classified documents. 'Currently there are five ongoing investigations of the theft of controlled blank forms,' immigration brass in Ottawa were warned last year. 'Theft remains the most frequently investigated problem.' The thefts stemmed from a lack of control or audit of the documents, which were overstocked in insecure offices, police said. Immigration official John Rose told his boss Anne Wallis, *director of the ethics department*, there were also four cases where employees were found using their positions to access high-security police database CPIC to obtain information for personal reasons. 'Employees' responsibilities with respect to CPIC needs to be reinforced,' Rose told Wallis in confidential documents on immigration malfeasance obtained by Vancouver lawyer Richard Kurland who sent them to The Sunday Sun. Ottawa was told police data was stolen even though employees had signed agreements restricting their use of the information. Rose said most of the department's malfeasance was committed by locally hired staff at embassies abroad. 'More than any type of malfeasance, the theft of cost recovery funds draws the most attention,' he said. 'In all the cases, the (thieves) operated virtually independently.' Rose said local male employees were more committed to ripping off the Canadian government, and most of the culprits had family members or other connections in the embassy's immigration section or elsewhere in the mission. Ottawa heard that many of the local help were hired even though they were convicted of crimes or had ties to organized crime. Some corrupt employees even placed organized crime figures among members of genuine trade delegations travelling to Canada so visas could be obtained for them. Ottawa was told. 'Despite some early evidence of dishonest performance, some were not dismissed on probation,' Rose said. Officials said of the more than 200 corrupt workers nabbed or being investigated in embassies abroad, 21 per cent were terminated, 29 per cent suspended, 25 per cent resigned and 14 per cent took long-term leave. Others were shuffled to non-managerial jobs." (Toronto Sun, February 3, 2002)